

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2001

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HOUSE BILL 511

Short Title: 2001 Education Lottery.

(Public)

Sponsors: Representative Fitch.

Referred to: Rules, Calendar, and Operations of the House.

March 7, 2001

1 A BILL TO BE ENTITLED  
2 AN ACT TO ESTABLISH A STATE LOTTERY TO PROVIDE FUNDS FOR  
3 EDUCATIONAL PURPOSES.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** The General Statutes are amended by adding a new Chapter to  
6 read:

7 "Chapter 143D.

8 "North Carolina State Lottery.

9 "Article 1.

10 "General Provisions and Definitions.

11 **"§ 143D-101. Citation.**

12 This Chapter shall be known and may be cited as the North Carolina State Lottery  
13 Act.

14 **"§ 143D-102. Purpose and intent.**

15 The General Assembly declares that the purpose and intent of this Chapter is to  
16 provide additional monies to benefit the public purposes described in this Chapter  
17 through the implementation of a State-operated lottery without the imposition of  
18 additional or increased taxes. The lottery shall be initiated at the earliest practical time,  
19 and it shall be operated to maximize new revenue to the State. That new revenue shall  
20 be raised in a manner consistent with the dignity of the State and the general welfare of  
21 the people and in a manner consistent with effective business practices.

22 **"§ 143D-103. Laws not affected.**

23 In the event of a conflict between the provisions of this Chapter and any other laws,  
24 including Article 37 of Chapter 14 of the General Statutes, the provisions of this  
25 Chapter shall govern.

26 **"§ 143D-104. Commission a self-supporting agency.**

27 It is the intent of this Chapter that the Commission established by this Chapter shall  
28 be an independent, self-supporting, and revenue-raising agency of State government.

1 **"§ 143D-105. Public purposes to benefit from lottery.**

2 The net revenues of the lottery shall be used to benefit the public purposes set forth  
3 in G.S. 143D-175. It is the intent of this Chapter that the net revenues generated by the  
4 lottery established by this Chapter shall not supplant revenues already expended or  
5 projected to be expended for those public purposes and that lottery net revenues shall  
6 supplement rather than be used as substitute funds for the total amount of money  
7 allocated for those public purposes.

8 **"§ 143D-106. Allocation of revenues.**

9 (a) As nearly as practical:

- 10 (1) At least fifty percent (50%) of the total annual revenues, as described  
11 in this Chapter, shall be returned to the public in the form of prizes as  
12 described in this Chapter;  
13 (2) At least thirty-four percent (34%) of the total annual revenues, as  
14 described in this Chapter, shall be used for the public purposes  
15 described in G.S. 143D-175; and  
16 (3) No more than sixteen percent (16%) of the total annual revenues, as  
17 described in this Chapter, shall be allocated for payment of expenses  
18 of the Commission as described in this Chapter.

19 (b) Unclaimed prize money held by the Commission in the Lottery Fund, as  
20 described in this Chapter, may be used by the Commission to enhance prizes in other  
21 lottery games.

22 (c) To the extent that the expenses of the Commission are less than sixteen  
23 percent (16%) of total annual revenues, any surplus funds may be allocated in any  
24 proportion:

- 25 (1) To increase prize payments; or  
26 (2) To the benefit of the public purposes as described in this Chapter.

27 **"§ 143D-107. Definitions.**

28 As used in this Chapter, unless the context requires otherwise:

- 29 (1) 'Commission' means the North Carolina State Lottery Commission.  
30 (2) 'Commissioner' means one of the members of the Commission  
31 appointed pursuant to this Chapter to oversee the lottery.  
32 (3) 'Director' means the person appointed by the Governor pursuant to this  
33 Chapter as the chief administrator of the Commission.  
34 (4) 'Game' or 'lottery game' means any procedure or game authorized by  
35 the Commission whereby prizes are distributed among persons who  
36 have paid, or unconditionally agreed to pay, for tickets or shares that  
37 provide the opportunity to win these prizes.  
38 (5) 'Lottery' or 'State lottery' means any lottery game or series of games  
39 established and operated pursuant to this Chapter and authorized by  
40 the Commission.  
41 (6) 'Lottery contractor' means a person with whom the Commission has  
42 contracted for the purpose of providing goods or services to the  
43 Commission.

- 1           (7) 'Major procurement' means a procurement for a contract for (i) the  
2 printing of instant tickets or the provision of shares for use in any  
3 lottery game, (ii) any goods or services involving the receiving or  
4 recording of selections in any lottery game, (iii) any goods or services  
5 involving the determination or generation of winners in any lottery  
6 game, or (iv) any goods and services involving warehousing,  
7 telemarketing, and distribution of instant games.
- 8           (8) 'Person' means any natural person or corporation, limited liability  
9 company, trust, association, partnership, joint venture, subsidiary, or  
10 other business entity.
- 11           (9) 'Retailer', 'lottery retailer', or 'lottery game retailer' means a person (i)  
12 who is licensed by the Commission to sell tickets or shares in lottery  
13 games to the public and (ii) with whom the Commission has  
14 contracted.
- 15           (10) 'Share' means any method of participation in a lottery game, other than  
16 by a ticket purchased on an equivalent basis with a ticket, whether  
17 presently contemplated or developed in the future.
- 18           (11) 'Ticket' means any tangible evidence issued by the Commission to  
19 prove participation in a lottery game.
- 20           (12) 'Vendor' or 'lottery vendor' means any person who submits a bid,  
21 proposal, or offer as part of a procurement for a contract for goods or  
22 services for the Commission.

23 **"§§ 143D-108 and 143D-109: Reserved for future codification purposes.**

24 **"Article 2.**

25 **"North Carolina State lottery Commission.**

26 **"§ 143D-110. Creation of Commission.**

27 There is created a North Carolina State Lottery Commission.

28 **"§ 143D-111. Commission membership; appointment; vacancies; removal.**

29 (a) The Commission shall consist of nine members, five of whom shall be  
30 appointed by the Governor, two of whom shall be appointed by the General Assembly  
31 upon the recommendation of the President Pro Tempore of the Senate, and two of  
32 whom shall be appointed by the General Assembly upon the recommendation of the  
33 Speaker of the House of Representatives.

34 (b) Of the initial appointees of the Governor, two members shall serve terms of  
35 two years, two members shall serve terms of three years, and one member shall serve a  
36 term of five years. Of the initial appointees of the General Assembly upon the  
37 recommendation of the President Pro Tempore of the Senate, one member shall serve a  
38 term of three years, and one member shall serve a term of five years. Of the initial  
39 appointees of the General Assembly upon the recommendation of the Speaker of the  
40 House of Representatives, one member shall serve a term of three years, and one  
41 member shall serve a term of five years. All succeeding appointments shall be for terms  
42 of five years.

43 (c) All initial appointments shall be made within 30 days of the effective date of  
44 this Chapter.

1       (d) Vacancies shall be filled within 30 days of their occurrence by the appointing  
2 authority for the unexpired portion of the term in which they occur.

3       (e) All appointments made by the General Assembly shall be made in accordance  
4 with the applicable sections of Article 16 of Chapter 120 of the General Statutes.

5 **"§ 143D-112. Qualifications of Commissioners.**

6       (a) At least one of the Commissioners appointed by the Governor shall have a  
7 minimum of five years' experience in law enforcement.

8       (b) At least one of the Commissioners appointed by the General Assembly upon  
9 the recommendation of the President Pro Tempore of the Senate shall be a certified  
10 public accountant.

11       (c) At least one of the Commissioners appointed by the General Assembly upon  
12 the recommendation of the Speaker of the House of Representatives shall have retail  
13 sales experience.

14       (d) No person shall be appointed as a Commissioner who has been convicted of a  
15 felony.

16 **"§ 143D-113. Compensation and expenses.**

17       (a) Commissioners shall be compensated at the rate of one hundred dollars  
18 (\$100.00) for each day engaged in Commission business.

19       (b) Commissioners shall, in addition to daily compensation, be reimbursed for  
20 actual expenses incurred on Commission business, including necessary travel expenses.

21 **"§ 143D-114. Powers and duties of the Commission.**

22 The Commission shall exercise all powers necessary to effectuate the purposes of  
23 this Chapter, including the adoption of rules pursuant to Chapter 150B of the General  
24 Statutes and the establishment of licensing and contracting requirements and  
25 procedures.

26 **"§ 143D-115. Annual selection of chair.**

27 The Commission shall annually select a chair from its membership.

28 **"§ 143D-116. Meetings; records.**

29       (a) Meetings of the Commission shall be open and public in accordance with  
30 Article 33C of Chapter 143 of the General Statutes.

31       (b) Records of the Commission shall be open and available to the public in  
32 accordance with the provisions of Chapter 132 of the General Statutes.

33       (c) The Commission shall meet with the Director at least quarterly to make  
34 recommendations and set policy, to approve or reject reports of the Director, to adopt  
35 rules in accordance with Chapter 150B of the General Statutes, and to transact any other  
36 business that may properly be brought before it. Regular meetings shall be held no more  
37 often than monthly, unless required by an emergency.

38       (d) The chair or a majority of the members of the Commission shall have the  
39 power to call special meetings of the Commission upon advance written notice to all of  
40 the members of the Commission and the Director.

41 **"§ 143D-117. Quorum; voting.**

42 A majority of the total membership of the Commission constitutes a quorum. All  
43 decisions of the Commission shall be made by a majority vote.

44 **"§ 143D-118. Reports.**

1     The Commission shall make quarterly and annual reports on the operations of the  
2     Commission to the Governor, Attorney General, State Treasurer, and to the General  
3     Assembly. The reports shall include full and complete statements of lottery revenues,  
4     prize disbursements, expenses, net revenues, and all other financial transactions  
5     involving lottery funds.

6     "§ 143D-119: Reserved for future codification purposes.

7                                   "Article 3.

8                                   "North Carolina State Lottery Director.

9     "§ 143D-120. Appointment and removal of Director.

10     The Governor shall appoint a Director within 30 days of the effective date of this  
11     Chapter. The Director shall direct the operations of the Commission. The Governor may  
12     remove the Director upon notification to the Commission. The Director shall be exempt  
13     from the State Personnel Act.

14     "§ 143D-121. Qualifications of the Director.

15     No person shall be appointed Director who has been convicted of a felony.

16     "§ 143D-122. Salary.

17     During the first fiscal year of the operation of the Commission, the Director shall  
18     receive compensation as set by the Commission and approved by the Governor.  
19     Thereafter the compensation of the Director shall be set by the General Assembly in the  
20     Current Operations Appropriations Act. The Director shall render full-time attention to  
21     the duties of the office.

22     "§ 143D-123. Duties and powers of the Director.

23     The Director shall perform all duties, exercise all powers, assume and discharge all  
24     responsibilities, and carry out and effect all purposes provided by this Chapter. The  
25     Director shall act as the Secretary and Executive Officer of the Commission. The  
26     Director shall act in accordance with this Chapter, the rules adopted by the Commission,  
27     and under the guidance of the Commission.

28     "§ 143D-123.1. Tax-related duties.

29     The Director shall:

- 30             (1)   Provide for federal income tax to be withheld from a lottery game  
31                   prize as required by section 3402 of the Internal Revenue Code.  
32             (2)   Provide for State income tax in the amount of seven percent (7%) of a  
33                   lottery game prize to be withheld from a prize from which federal  
34                   income tax is required to be withheld.  
35             (3)   Report to the Secretary of Revenue the payment of a lottery game  
36                   prize that must be reported to the Internal Revenue Service under  
37                   section 3402 of the Internal Revenue Code.

38     "§ 143D-124. Power to hire and procure services.

39     (a) The Director shall hire, subject to the approval of the Commission, the  
40     professional, clerical, technical, and administrative personnel needed to carry out the  
41     provisions of this Chapter. No person shall be employed by the Commission who has  
42     been convicted of a felony within the last 10 years. Each person employed by the  
43     Commission shall execute an authorization to allow an investigation of the person's  
44     background.

1       (b) The Director may, and is encouraged to, subject to the approval of the  
2 Commission, outsource all feasible operational tasks for the purposes of limiting the  
3 number of State employees to essential policy-making positions.

4 **"§ 143D-125. Assistant directors.**

5       The Director may appoint and prescribe the duties for up to four assistant directors.  
6 The compensation of each assistant director shall be set by the Commission and shall  
7 not exceed the Director's compensation. The Director may designate one of the assistant  
8 directors as the deputy director.

9 **"§ 143D-126. Assistant director for security.**

10       (a) One of the assistant directors, the assistant director for security, shall be  
11 responsible for a security division to assure the security, honesty, fairness, and integrity  
12 in the operation and administration of the Commission and lottery games, including an  
13 examination of the background of all prospective employees, lottery vendors, lottery  
14 contractors, and any other person required to be licensed by or who contracts with the  
15 Commission.

16       (b) The assistant director for security shall be qualified by training and  
17 experience including at least five years of law enforcement experience and knowledge  
18 and experience in computer security.

19       (c) The assistant director for security may, in conjunction with the Director,  
20 confer with the Attorney General or the Attorney General's designee, to promote and  
21 ensure the security, honesty, fairness, and integrity of the operation and administration  
22 of the Commission.

23       (d) The assistant director for security, in conjunction with the Director, shall  
24 report any alleged violation of law to the appropriate law enforcement authority for  
25 further investigation and action.

26 **"§ 143D-127. Criminal identification information available to Commission; law**  
27 **enforcement officer status.**

28       (a) Upon the request of the Director or the assistant director for security, the  
29 Attorney General and the Secretary of Crime Control and Public Safety shall furnish  
30 information that they have in their possession, including computerized or other  
31 information and data, to the Director and the assistant director for security necessary to  
32 assure the security, honesty, fairness, and integrity in the operation and administration  
33 of the Commission and its licensees.

34       (b) For the purpose of requesting and receiving this information, the Commission  
35 shall be considered to be a 'criminal justice agency' and its enforcement agents to be  
36 'law enforcement officers'.

37       (c) The Commission's enforcement agents shall have the same authority with  
38 respect to service and execution of arrest warrants and search warrants as is conferred  
39 on other law enforcement officers of this State.

40 **"§ 143D-128. Coordination with Commission.**

41       The Director shall confer as frequently as necessary, but not less than quarterly, with  
42 the Commission on the operation and administration of the Commission. The Director  
43 shall make available for inspection by the Commission all books, records, files,

1 documents, and other information of the lottery and shall make recommendations for  
2 the improved operation and administration of the Commission and lottery games.

3 **"§ 143D-129. Study of lottery systems; recommendations for improvement.**

4 The Director shall make an ongoing study of the operation and administration of  
5 other lotteries and commissions and lottery games that are in operation in other states  
6 and countries, of available literature on the subject of lotteries, of federal laws that may  
7 affect the operation of the Commission and lottery games, and of the reaction of the  
8 citizens of the State to existing or proposed features in lottery games. The Director shall  
9 conduct this research in order to recommend improvements that will serve the purposes  
10 of this Chapter. The Director may make recommendations to the Commission, to the  
11 Governor, and to the General Assembly on any matters concerning the secure,  
12 profitable, and efficient operation and administration of the Commission and of lottery  
13 games and the convenience of the purchasers of tickets and shares.

14 **"§ 143D-130. Accountability; books and records.**

15 The Director shall make and keep books and records that accurately and fairly  
16 reflect each day's transactions, including the distribution of tickets or shares to lottery  
17 game retailers, receipt of funds, prize claims, prizes paid directly by the Commission,  
18 expenses, and all other financial transactions involving lottery funds necessary to permit  
19 preparation of daily financial statements in conformity with generally accepted  
20 accounting principles, in order to maintain daily accountability.

21 **"§ 143D-131. Monthly financial reports.**

22 The Director shall make a monthly financial report to the Commission, to the  
23 Governor, to the State Controller, to the State Treasurer, and to the General Assembly.  
24 The report shall include a statement of all lottery revenues, prize disbursements,  
25 expenses, net revenues, and all other financial transactions involving lottery funds for  
26 the preceding month.

27 **"§ 143D-132. Independent study of demographics of lottery players.**

28 Within the first six months of sales of tickets or shares to the public, the Director  
29 shall engage an independent firm experienced in demographic analysis to conduct a  
30 special study of the demographic characteristics of the players of each lottery game,  
31 including their income, age, sex, education, and frequency of participation. This report  
32 shall be presented to the Commission, to the Governor, and to the General Assembly.  
33 Similar studies shall be conducted on a continuing, periodic basis.

34 **"§ 143D-133. Independent study of effectiveness of lottery communications.**

35 (a) Until the study required by this section is conducted and the results have been  
36 reviewed by the General Assembly, expenditures for advertising of the lottery shall not  
37 exceed four percent (4%) of all proceeds from the sales of lottery tickets or shares.

38 (b) After the first full year of sales of tickets or shares to the public, the Director  
39 shall engage an independent firm experienced in the analysis of advertising, promotion,  
40 public relations, and other aspects of communications to conduct a special study of the  
41 effectiveness of the communications activities undertaken by the Commission and make  
42 recommendations to the Commission on the future conduct and future rate of  
43 expenditures for these activities. This report shall be presented to the Commission, to  
44 the Governor, and to the General Assembly.

1 (c) Similar studies shall be conducted on a continuing, periodic basis.

2 **"§ 143D-134. Independent audit of lottery security.**

3 (a) After the first full year of operation, the Director shall, in addition to all other  
4 security measures, engage an independent firm experienced in security procedures,  
5 including computer security and systems security, to conduct a continuing  
6 comprehensive study and evaluation of all aspects of security in the operation of the  
7 Commission and of lottery games. The study shall include:

8 (1) Personnel security;

9 (2) Lottery game retailer security;

10 (3) Lottery contractor security;

11 (4) Security of manufacturing operations of lottery contractors;

12 (5) Security against ticket counterfeiting, alteration, and other means of  
13 fraudulently winning; security of drawings among entries or finalists;

14 (6) Computer security;

15 (7) Data communications security;

16 (8) Database security;

17 (9) Systems security;

18 (10) Commission premises and warehouse security;

19 (11) Security in distribution;

20 (12) Security involving validation and payment procedures;

21 (13) Security involving unclaimed prizes;

22 (14) Security aspects applicable to each particular lottery game;

23 (15) Security of drawings in games where winners are determined by  
24 drawings of numbers; and

25 (16) Any other aspects of security applicable to any particular lottery game  
26 and to the Commission and its operations.

27 (b) The portion of the security audit report containing the overall evaluation of  
28 the Commission and of lottery games in terms of each aspect of security shall be  
29 presented to the Commission, to the Governor, and to the General Assembly.

30 (c) The portion of the security audit report containing specific recommendations  
31 shall be confidential and shall be presented only to the Director, to the assistant director  
32 for security, and to the Commission.

33 (d) Similar audits of security shall be conducted biennially thereafter.

34 **"§§ 143D-135 through 143D-139: Reserved for future codification purposes.**

35 "Article 4.

36 "Operation of Lottery.

37 **"§ 143D-140. Initiation and operation of lottery.**

38 The Commission shall initiate operation of lottery games at the earliest feasible and  
39 practical time but within 180 days of approval of the referendum. The lottery games  
40 shall be initiated and shall continue to be operated so as to produce the maximum  
41 amount of net revenues to benefit the public purposes described in this Chapter  
42 consistent with the purposes stated in G.S. 143D-102. Other departments, boards,  
43 commissions, and agencies of the State and their officers shall cooperate with the  
44 Commission to aid the Commission in fulfilling these objectives.



1 **"§ 143D-141. Types of lottery games.**

2 (a) Upon the recommendation of the Director, the Commission shall adopt rules,  
3 in the manner prescribed by Chapter 150B of the General Statutes, specifying the types  
4 of lottery games to be conducted by the Commission including, but not limited to,  
5 instant lotteries, on-line games, games played on computer terminals or other devices,  
6 and other games traditional to the lottery; provided, however:

7 (1) No lottery game shall use the theme of dog racing or horse racing;

8 (2) No lottery game shall be based on the outcome of a particular sporting  
9 event or on the results of a series of sporting events;

10 (3) In lottery games using tickets, each ticket in a particular game shall  
11 bear a unique number distinguishing it from every other ticket in that  
12 lottery game;

13 (4) No name or photograph of a current elected official shall appear on the  
14 tickets of any lottery game; and

15 (5) In games using electronic computer terminals or other devices to play  
16 lottery games, no coins or currency shall be dispensed to players from  
17 those electronic computer terminals or devices.

18 (b) The Commission may authorize the use of:

19 (1) Any type of lottery game that has been conducted by any state  
20 government-operated lottery in the United States that will achieve the  
21 revenue objectives of the lottery consistent with the purposes stated in  
22 G.S. 143D-102 including, but not limited to:

23 a. The sale of instant tickets or shares by electronic computer  
24 terminals or devices; or

25 b. Any other type of lottery game; or

26 (2) Any gaming technology that has been used by any state government-  
27 operated lottery in the United States that will achieve the revenue  
28 objectives of the lottery consistent with the purposes stated in G.S.  
29 143D-102 including, but not limited to:

30 a. Printed tickets and shares;

31 b. Vending machines; or

32 c. Electronic computer terminals or other devices to play lottery  
33 games that are connected by telephone lines or other electronic  
34 means with a central computer system operated by the  
35 Commission.

36 **"§ 143D-141.1. Lottery advertising.**

37 (a) Upon the recommendation of the Director, the Commission shall adopt  
38 guidelines regarding the nature of lottery advertising.

39 The guidelines shall require:

40 (1) Minimizing the appeal of the lottery to minors. In developing the  
41 guidelines, the Director and the Commission shall consider the  
42 possible impact of using cartoon characters and other figures that  
43 would particularly attract the attention of minors; and

44 (2) Prohibiting the use of false, misleading, or deceptive information.

1 (b) The Commission shall provide, by rule, in the manner prescribed by Chapter  
2 150B of the General Statutes, that:

3 (1) In lottery games using tickets with preprinted winners, the overall  
4 estimated odds of winning prizes shall be printed on each ticket;

5 (2) A detailed tabulation of the estimated number of prizes of each  
6 particular prize denomination that are expected to be awarded in each  
7 lottery game, or the estimated odds of winning these prizes, shall be  
8 available at the offices of the Commission at the time that lottery game  
9 is offered for sale to the public; and

10 (3) All printed or point-of-sale advertising promoting the sale of lottery  
11 tickets for a particular game shall include the actual or estimated  
12 overall odds of winning the game.

13 **"§ 143D-142. Number and value of prizes.**

14 Upon the recommendation of the Director, the Commission shall adopt rules as  
15 prescribed by Chapter 150B of the General Statutes that specify the number and value  
16 of prizes for winning tickets or shares in lottery games including cash prizes,  
17 merchandise prizes, prizes consisting of deferred payments or annuities, and prizes of  
18 tickets or shares in the same lottery game or other lottery games conducted by the  
19 Commission.

20 **"§ 143D-143. Method of determining winners.**

21 (a) Upon the recommendation of the Director, the Commission shall adopt rules,  
22 as prescribed by Chapter 150B of the General Statutes, that specify the method for  
23 determining winners in a lottery game; provided, that if a lottery game uses a weekly  
24 drawing of winning numbers, a drawing among entries, or a drawing among finalists:

25 (1) The drawings shall always be open to the public;

26 (2) The drawings shall be witnessed by an independent certified public  
27 accountant;

28 (3) Any equipment used in the drawings shall be inspected by the  
29 independent certified public accountant and an employee of the  
30 Commission both before and after the drawings; and

31 (4) The drawings and inspections shall be recorded on both videotape and  
32 audiotape.

33 (b) The Commission may authorize the use of any existing or future methods or  
34 technologies for determining winners.

35 **"§ 143D-144. Sale price of tickets and shares.**

36 Upon the recommendation of the Director, the Commission shall adopt rules, as  
37 prescribed by Chapter 150B of the General Statutes, specifying the retail sales price for  
38 tickets or shares for lottery games, provided:

39 (1) No ticket or share shall be sold for more than the retail sales price  
40 established by the Commission; and

41 (2) The minimum retail price of each ticket, share, or transaction in any  
42 lottery game shall be fifty cents (50¢), except to the extent of any  
43 discounts or promotions authorized by the Commission for a particular  
44 lottery game.

1 "§ 143D-145. Validation and payment of prizes.

2 Upon the recommendation of the Director, the Commission shall adopt rules, as  
3 prescribed by Chapter 150B of the General Statutes, to establish a system of verifying  
4 the validity of tickets or shares claimed to win prizes and to effect payment of those  
5 prizes, provided:

6 (1) For the convenience of the public, lottery retailers may be authorized  
7 by the Commission to pay winners of up to an amount appropriate to  
8 the lottery game involved, after performing validation procedures on  
9 their premises, and with the approval of the Director;

10 (2) No prize shall be paid to any person under the age of 18 years;

11 (3) No prize shall be paid arising from claimed tickets or shares that are  
12 stolen, counterfeit, altered, fraudulent, unissued, produced or issued in  
13 error, unreadable, not received or recorded by the Commission by the  
14 applicable deadlines, lacking in captions that conform and agree with  
15 the play symbols as appropriate to the lottery game involved, or not in  
16 compliance with any additional specific rules and public or  
17 confidential validation and security tests appropriate to the particular  
18 game involved;

19 (4) No particular prize in any lottery game shall be paid more than once,  
20 and in the event of a binding determination that more than one  
21 claimant is entitled to a particular prize, the sole remedy for these  
22 claimants is the award to each of them of a proportionate share in the  
23 prize;

24 (5) The Commission may specify that winners of five hundred ninety-nine  
25 dollars (\$599.00) or less may claim the prizes from either:

26 a. The same lottery game retailer who sold the winning ticket or  
27 share;

28 b. From any other lottery retailer; or

29 c. Directly from the Commission;

30 (6) Holders of tickets or shares shall have the right to claim prizes for 120  
31 days after the drawing or the end of the lottery game or play in which  
32 the prize was won. The Commission may define shorter time periods  
33 for eligibility for entry into drawings involving entries or finalists. If a  
34 valid claim is not made for a prize payable directly by the Commission  
35 within the applicable period, the unclaimed prize money may be used  
36 to increase prize payments for future games, or may revert to the North  
37 Carolina State Lottery Fund;

38 (7) After the expiration of the claim period for prizes for each lottery  
39 game, the Commission shall make available a detailed tabulation of the  
40 total number of prizes of each prize denomination that was actually  
41 claimed and paid directly by the Commission;

42 (8) The right of any person to a prize shall not be assignable, except that  
43 payment of any prize may be paid to the estate of a deceased  
44 prizewinner or to a person designated pursuant to an appropriate



1 availability of tickets or shares to prospective buyers of each lottery game. The  
2 Commission may sell tickets and shares directly to the public or may distribute tickets  
3 or shares by any other method authorized by the Commission.

4 **"§ 143D-151. Selection of lottery game retailers.**

5 (a) The Director shall select as lottery game retailers those persons deemed by  
6 the Director best able to serve the public convenience and to promote the sale of tickets  
7 or shares.

8 (b) No natural person under 21 years of age shall be a lottery game retailer. This  
9 minimum age shall not prohibit employees of a retailer who are under 21 years of age  
10 from selling lottery tickets or shares during their employment.

11 (c) In the selection of a lottery game retailer, the Director or the Commission  
12 shall consider:

13 (1) Financial responsibility;

14 (2) Accessibility of the place of business or activity to the public;

15 (3) Security of the premises;

16 (4) Integrity;

17 (5) Reputation;

18 (6) The sufficiency of existing lottery game retailers for any particular  
19 lottery game to serve the public convenience; and

20 (7) The projected volume of sales for the lottery game involved.

21 (d) No contract with any lottery game retailer shall be entered into if the retailer  
22 has been convicted of a felony or a gambling-related offense in any state or federal  
23 court of the United States within 10 years of entering into the contract.

24 (e) No person shall be a lottery game retailer who is engaged exclusively in the  
25 business of selling lottery tickets or shares or operating electronic computer terminals or  
26 other devices solely for entertainment.

27 (f) A person lawfully engaged in nongovernmental business on State property or  
28 an owner or lessee of premises on which alcoholic beverages are sold may be selected  
29 as a lottery game retailer.

30 (g) A civic or fraternal organization may be selected as a lottery game retailer.

31 (h) Political subdivisions or their agencies or departments may be selected as  
32 lottery game retailers for sales from their premises.

33 (i) The Director may contract with lottery retailers on a permanent, seasonal, or  
34 temporary basis.

35 (j) The Commission may establish and require payment by each lottery game  
36 retailer of an initial fee or an annual fee, or both, to maintain the contract to be a lottery  
37 game retailer.

38 (k) Lottery retailers may contract with any person approved or authorized by the  
39 Commission who provides goods or services that facilitate the sale of lottery tickets or  
40 shares.

41 **"§ 143D-152. Nonassignability.**

42 The contract to act as a lottery game retailer is not assignable or transferable.

43 **"§ 143D-153. Termination of a contract with a lottery game retailer.**

1        The Director or Commission may terminate a contract with a lottery game retailer  
2 under the provisions for termination included in the contract. These provisions for  
3 termination shall include the knowing sale of tickets or shares to any person under the  
4 age of 18 years.

5 **"§ 143D-154. Compensation for lottery game retailers.**

6        (a) Upon the recommendation of the Director, the Commission shall adopt rules,  
7 as prescribed by Chapter 150B of the General Statutes, determining the payment of  
8 compensation to lottery game retailers for their sales of lottery tickets or shares.

9        (b) The amount of compensation paid to lottery game retailers for their sales of  
10 lottery tickets or shares shall be five percent (5%) of the retail price of the tickets or  
11 shares for each lottery game. The Commission may authorize an incentive bonus of up  
12 to two percent (2%) based on attainment of sales volume or other objectives specified  
13 by the Director for each lottery game.

14        (c) In cases of a lottery game retailer whose rental payments for premises are  
15 contractually computed on the basis of a percentage of retail sales, and where the  
16 computation of retail sales is not explicitly defined to include sales of tickets or shares  
17 in a lottery game, the compensation received by the lottery game retailer from the  
18 lottery shall be deemed to be the amount of the retail sale for the purposes of this  
19 contractual computation.

20 **"§ 143D-155. Sales to persons under the age of 18.**

21        (a) No tickets or shares in lottery games shall be sold to persons under the age of  
22 18 years. Selling tickets or shares to a person under the age of 18 years shall be a Class  
23 1 misdemeanor.

24        (b) To prevent the sale of lottery tickets or shares to persons under the required  
25 age, the Commission shall issue rules prescribing the procedures to be followed by  
26 lottery retailers in determining the age of potential lottery purchasers.

27        (c) It shall be a defense to violation of subsection (a) of this section if the retailer:  
28            (1) Shows that the purchaser produced a drivers license, a special  
29 identification card issued under G.S. 20-37.7, a military identification  
30 card, or a passport showing his age to be at least the required age for  
31 purchase and bearing a physical description of the person named on  
32 the card reasonably describing the purchaser; or  
33            (2) Produces evidence of other facts that reasonably indicated at the time  
34 of sale that the purchaser was at least the required age.

35        (d) Nothing in this Article shall be construed to prevent any person 18 years or  
36 older from giving or assigning lawfully purchased lottery tickets or shares to another  
37 person of any age.

38 **"§ 143D-156. Payment of prize won by person under the age of 18.**

39        (a) If the person entitled to a prize for any winning ticket or share is a minor, and  
40 the prize is less than five thousand dollars (\$5,000), the Director may direct payment of  
41 the prize by delivery of a check or draft payable to the order of the minor to an adult  
42 member of that minor's family or to that minor's legal guardian.

43        (b) If the person entitled to a prize or any winning ticket is a minor, and the prize  
44 is five thousand dollars (\$5,000) or more, the Director may direct payment to that minor

1 by depositing the amount of the prize in any insured depository institution to the credit  
2 of an adult member of that minor's family or the legal guardian of the minor, as  
3 custodian for that minor.

4 **"§ 143D-157. Display of certificate of authority.**

5 No lottery tickets or shares shall be sold by a lottery game retailer unless the retailer  
6 conspicuously displays a certificate of authority, signed by the Director, to sell lottery  
7 tickets or shares.

8 **"§ 143D-158. Bonding.**

9 The Director may require an appropriate bond from any lottery game retailer or may  
10 purchase blanket bonds covering the activities of selected or all lottery game retailers.

11 **"§ 143D-159. Lottery game retailer accounting; payments.**

12 (a) The Director shall establish procedures that shall be used by lottery game  
13 retailers to account for all tickets or shares that they sell to the public and to account for  
14 all funds they receive from the public for the tickets or shares.

15 (b) No payment by lottery game retailers to the Commission for tickets or shares  
16 shall be in cash. All payments shall be in the form of checks, bank drafts, electronic  
17 fund transfers, or other recorded financial instruments as approved by the Director.

18 "Article 6.

19 "Lottery Vendors and Lottery Contractors.

20 **"§ 143D-160. Procurements.**

21 (a) Notwithstanding other provisions of law, the Director is encouraged to  
22 purchase or lease goods or services or combinations of goods and services needed to  
23 effectuate the purposes of this Chapter.

24 (b) The Director shall not contract with any single private party or  
25 nongovernmental entity for the administration of the Commission established by this  
26 Chapter; however, this subsection shall not preclude procurements that integrate such  
27 functions as lottery game design, supply of goods and services, and advertising.

28 (c) In all procurements, the Director and Commission shall act to promote the  
29 objective of maximizing net revenues for the benefit of the public purposes described in  
30 this Chapter.

31 **"§ 143D-161. Contracts.**

32 (a) The Director may directly solicit proposals or enter into contracts for the  
33 purchase or lease of goods or services to effectuate the purposes of this Chapter.

34 (b) In awarding contracts in response to solicitations for proposals, the Director  
35 shall award the contracts to the responsible vendor submitting the best proposal that the  
36 Director determines maximizes the benefits to the State.

37 (c) In all procurement decisions, the Director, or the Commission, if the  
38 Commission chooses to make the decision, shall take into account the particularly  
39 sensitive nature of the Commission and lottery games and shall consider the  
40 competence, quality of product, experience, and timely performance of the vendors in  
41 order to promote and ensure security, honesty, fairness, and integrity in the operation  
42 and administration of the Commission and lottery games and the objective of  
43 maximizing net revenues for the benefit of the public purposes described in this  
44 Chapter.

1       (d) The Director may engage an independent firm experienced in evaluating  
2 lottery procurement proposals to aid in the evaluation of proposals made to the  
3 Commission.

4       (e) Before a contract for a major procurement is awarded, the assistant director  
5 for security shall conduct an investigation of:

6           (1) The vendor to whom the contract is to be awarded;

7           (2) Any parent or subsidiary corporation of the vendor to whom the  
8 contract is to be awarded;

9           (3) All shareholders with a five percent (5%) or more interest in the  
10 vendor or parent or subsidiary corporation of the vendor to whom the  
11 contract is to be awarded; and

12           (4) All officers and directors of the vendor or parent or subsidiary  
13 corporation of the vendor to whom the contract is to be awarded.

14       (f) All contract awards made by the Director are made subject to the approval of  
15 the Commission.

16       (g) No contract shall be awarded to any person convicted of a felony or any  
17 gambling offense in any state or federal court of the United States within 10 years of  
18 entering into the contract.

19       (h) The Commission may by rule designate classes of contracts other than major  
20 procurements that do not require approval of the Commission.

21 **"§ 143D-162. Lottery vendor disclosures for major procurements.**

22       (a) Upon the recommendation of the Director, the Commission shall adopt rules,  
23 as prescribed by Chapter 150B of the General Statutes, to provide for disclosures by  
24 vendors submitting bids, proposals, or offers as part of a major procurement to ensure  
25 that the vendors provide all the information necessary to allow for a full and complete  
26 evaluation by the Director and Commission of the competence, integrity, background,  
27 and character of the lottery vendors.

28       (b) The rules shall require that all lottery vendors submit to the assistant director  
29 for security any appropriate investigation authorizations needed to facilitate these  
30 investigations.

31 **"§ 143D-163. Compliance with applicable laws.**

32       Each lottery contractor shall perform its contract consistent with the laws of this  
33 State, federal law, and laws of the state or states in which the lottery contractor is  
34 performing or producing, in whole or in part, any of the goods or services contracted  
35 for.

36 **"§ 143D-164. Performance bond.**

37       (a) Each lottery contractor in a major procurement shall, at the time of executing  
38 the contract with the Director, post an appropriate bond or letter of credit with the  
39 Director, in an amount as deemed necessary by the Commission for that particular bid  
40 or contract.

41       (b) The Commission may issue a rule allowing the Director to decrease the bond  
42 or letter of credit requirement for a major procurement, after the contract has been in  
43 force for one year, if the Director determines that the decrease will result in a cost



1 savings to the Commission while still providing adequate protection against  
2 nonperformance.

3 (c) In lieu of a bond or letter of credit, a contractor may, to assure the faithful  
4 performance of its obligations, deposit and maintain with the Director securities that are  
5 interest-bearing or interest-accruing that, with the exception of those specified in  
6 subdivision (1) or (2) of this subsection, are rated in one of the four highest  
7 classifications by an established nationally recognized investment rating service.  
8 Securities eligible under this subsection are limited to the following:

9 (1) Certificates of deposit issued by solvent banks and savings  
10 associations organized and existing under North Carolina law or under  
11 the laws of the United States and having their principal place of  
12 business in North Carolina.

13 (2) United States bonds and bills for which the full faith and credit of the  
14 government of the United States is pledged for the payment of  
15 principal and interest.

16 (3) General obligation bonds and notes of any political subdivision of the  
17 State.

18 (4) Corporate bonds of a corporation that is not an affiliate or subsidiary  
19 of the depositor.

20 Securities shall be held in trust and shall, at all times, have a market value at least equal  
21 to the full amount estimated to be paid annually to the contractor under contract.

22 **"§§ 143D-165 through 143D-169:** Reserved for future codification purposes.

23 "Article 7.

24 "North Carolina State Lottery Fund.

25 **"§ 143D-170. North Carolina State Lottery Fund.**

26 An enterprise fund to be known as the 'North Carolina State Lottery Fund' is created  
27 within the State treasury. The North Carolina State Lottery Fund is continuously  
28 appropriated to the Commission for the purposes of operating the Commission and the  
29 lottery games.

30 **"§ 143D-171. Types of income to the North Carolina State Lottery Fund.**

31 The North Carolina State Lottery Fund shall receive the following monies:

32 (1) All proceeds from the sale of lottery tickets or shares;

33 (2) The funds for initial start-up costs provided by the State; and

34 (3) All other monies credited to the Commission from any source.

35 **"§ 143D-172. Types of disbursements from the North Carolina State Lottery**  
36 **Fund.**

37 Disbursements shall be made from the North Carolina State Lottery Fund for any of  
38 the following purposes:

39 (1) The payment of prizes to the holders of valid winning lottery tickets or  
40 shares;

41 (2) Expenses of the Commission, including initial start-up costs; and

42 (3) Transfer of funds from the North Carolina State Lottery Fund pursuant  
43 to G. S. 143D-175.

44 **"§ 143D-173. Prize payments of the lottery.**

1       (a) As nearly as practical, at least fifty percent (50%) of the total projected  
2 revenue as computed on a year-round basis for the total of all lottery games accruing  
3 from the sales of all lottery tickets or shares from lottery games shall be allocated for  
4 payment of prizes for lottery games.

5       (b) The Commission may allocate a larger percentage of the total projected  
6 revenue for a lottery game to prizes if it concludes that the total annual net revenues  
7 from the lottery game will be enhanced by that prize percentage.

8 **"§ 143D-174. Expenses of the lottery.**

9       (a) Expenses of the lottery may include:

- 10       (1) The costs incurred in the operation and administration of the  
11 Commission, including initial start-up costs;  
12       (2) The costs resulting from any contracts entered into for the purchase or  
13 lease of goods or services required by the Commission;  
14       (3) The compensation paid to lottery game retailers;  
15       (4) The costs of supplies, materials, tickets, independent studies, data  
16 transmission, advertising, promotion, incentives, public relations,  
17 communications, bonding for lottery game retailers, printing, and  
18 distribution of tickets and shares;  
19       (5) The costs of reimbursing other governmental entities for services  
20 provided to the Commission; and  
21       (6) The costs for any other goods and services needed to accomplish the  
22 purposes of this Chapter.

23       (b) As nearly as practical, no more than sixteen percent (16%) of the total annual  
24 revenues accruing from the sale of all lottery tickets and shares from all lottery games  
25 shall be expended for the payment of expenses of the Commission.

26 **"§ 143D-175. Transfer of net revenues.**

27       (a) The funds remaining in the North Carolina State Lottery Fund after receipt of  
28 all revenues to the Lottery Fund and after accrual of all obligations of the Commission  
29 for prizes and expenses shall be deemed to be the net revenues of the Lottery Fund.

30       (b) The remaining net income of the North Carolina State Lottery Fund shall be  
31 transferred as follows:

- 32       (1) Up to fifty percent (50%) of the net revenues of the Lottery Fund shall  
33 be transferred annually to fund the Education Improvement  
34 Scholarship Program, provided for in the legislation to be enacted by  
35 the General Assembly pursuant to G.S. 143D-175.1.  
36       (2) The State Treasurer shall transfer, annually, one million dollars  
37 (\$1,000,000) to each local school administrative unit for Capital  
38 Outlay projects for educational facilities.  
39       (3) The balance of the Lottery Fund shall be transferred to the Early  
40 Childhood Education and Development Initiatives Program to expand  
41 the program into all 100 counties in the State and to fully fund the  
42 program.

43 **"§ 143D-175.1. Education Improvement Scholarship Task Force.**

1       (a)   There is created an Education Improvement Scholarship Task Force which  
2 shall consist of the Governor, or his designated representative, the Lieutenant Governor,  
3 or his designated representative, the President of The University of North Carolina, the  
4 President of the North Carolina Community Colleges System, the Chairman of the State  
5 Board of Education, the President of the North Carolina Association of Independent  
6 Colleges and Universities, three Senators appointed by the President Pro Tempore of the  
7 Senate, and three Representatives appointed by the Speaker of the House of  
8 Representatives.

9       (b)   The Education Improvement Scholarship Task Force shall study programs  
10 providing scholarships based solely on academic achievement in other states and shall  
11 report the results of this study, along with the legislation necessary to implement the  
12 program required by G.S. 143D-175(b)(1) in North Carolina. The Education  
13 Improvement Scholarship Task Force shall consider scholarship program options  
14 including:

15           (1)   Full tuition scholarships to all students who received a high school  
16 diploma or its equivalent from high schools in this State with an 'A' or  
17 a 'B' average who attend any of the constituent institutions of The  
18 University of North Carolina or a community college.

19           (2)   Grants of one thousand dollars (\$1,000) per year to all students who  
20 have received a high school diploma or its equivalent in this State with  
21 an 'A' or a 'B' average who attend any private university or college.

22           (3)   Scholarships not based on need. The Task Force shall recommend a  
23 program providing for full scholarships for otherwise qualifying  
24 students whose family net income available for funding higher  
25 education based on current financial standards for scholarships is one  
26 hundred thousand dollars (\$100,000) or less. Scholarships could be  
27 reduced as qualifying family income increases above one hundred  
28 thousand dollars (\$100,000) so that otherwise qualifying students  
29 whose qualifying family income exceeds one hundred fifty thousand  
30 dollars (\$150,000) could receive a scholarship of one thousand dollars  
31 (\$1,000) per year.

32           (4)   Developing procedures for:

33               a.   Weighting high school grades to ensure the fairness;

34               b.   Weighting high school grades to take into account any grade  
35 inflation; and

36               c.   Assessing students who are home schooled.

37           (5)   Developing a procedure for the payment of the scholarships to the  
38 institutions of higher education and for monitoring recipients of the  
39 scholarships to ensure that they remain eligible for the support based  
40 on successful progress toward the receipt of a degree.

41           (6)   Any other procedures necessary to implement the program.

42       (c)   The Task Force shall also provide to the General Assembly:

43           (1)   A plan, should sufficient funds become available, to expand the  
44 scholarship program to supplement existing scholarship programs for

1 needy students or to expand the coverage of the program to all students  
2 receiving a diploma or its equivalent from a high school in North  
3 Carolina; and

4 (2) A plan for the prorating of funds should insufficient funds be available  
5 to fund scholarships for all eligible students.

6 (d) The University of North Carolina shall provide the Task Force with  
7 administrative and expert assistance in accomplishing the study and in the preparation  
8 of implementing legislation required by this section.

9 (e) The Task Force's report shall be submitted to the Speaker of the House of  
10 Representatives and the President Pro Tempore of the Senate no later than the first day  
11 of the next regular session of the General Assembly immediately following the effective  
12 date of this Chapter.

13 **"§ 143D-175.2. Funds for Capital Outlay projects.**

14 Funds for Capital Outlay projects for educational facilities may be used by the local  
15 school administrative units for:

16 (1) Construction of school buildings or retirement of bonds previously  
17 issued for the construction of school buildings;

18 (2) Elementary, middle, and high school instructional technology  
19 including hardware, software, or networking;

20 (3) Technology centers for training teachers and administrators how to  
21 incorporate technology into the curriculum; and

22 (4) Equipment necessary to provide safe schools including video  
23 surveillance equipment for school buildings and school buses, radio  
24 communications equipment, emergency call-back intercom systems in  
25 all classrooms, exterior lighting, fencing, and metal detectors.

26 **"§ 143D-175.3. Educational block grants.**

27 The educational block grants to local school administrative units shall not be used  
28 for personnel purposes.

29 **"§ 143D-176. Intergovernmental reimbursements for services.**

30 It is the intent of this Chapter that the Commission shall be a self-supporting agency  
31 of State government. The Commission shall reimburse, at a reasonable rate, all other  
32 governmental entities for services necessary to effectuate the purposes of this Chapter  
33 provided by those governmental entities to the Commission.

34 **"§ 143D-177. Audits.**

35 The State Auditor shall conduct annual audits of all accounts and transactions of the  
36 Commission and any other special postaudits the State Auditor deems to be necessary.  
37 The State Auditor or the Auditor's agents conducting an audit may examine any records  
38 of the Commission, its distributing agencies, lottery contractors, lottery game retailers,  
39 and any other person licensed by the Commission.

40 **"§§ 143D-178 and 143D-179:** Reserved for future codification purposes.

41 "Article 8.

42 "Miscellaneous.

43 **"§ 143D-180. Taxes.**

1 No sales taxes shall be imposed on the sale of lottery tickets or shares of lottery  
2 games established by this Chapter.

3 **"§ 143D-181. Preemption of local regulation.**

4 All matters relating to the operation of the Commission and lottery games  
5 established by this Chapter shall be governed solely by the provisions of this Chapter  
6 and shall be free from regulation or legislation by local governments, including cities  
7 and counties.

8 **"§ 143D-182. Lawful activity.**

9 Any other State or local law, ordinance, or regulation providing any penalty,  
10 disability, restriction, regulation, or prohibition for the manufacture, transportation,  
11 storage, distribution, advertising, possession, or sale of any lottery tickets or shares or  
12 for the operation of any lottery game shall not apply to the operation of the Commission  
13 or lottery games established by this Chapter."

14 **SECTION 2.** G.S. 147-69.2(a) is amended by adding a new subdivision to  
15 read:

16 "(17d) The North Carolina State Lottery Fund."

17 **SECTION 3.** G.S. 105-134.5(b) reads as rewritten:

18 "(b) Nonresidents. – For nonresident individuals, the term "North Carolina taxable  
19 income" means the taxpayer's taxable income as determined under the Code, adjusted as  
20 provided in G.S. 105-134.6 and G.S. 105-134.7, multiplied by a fraction the  
21 denominator of which is the taxpayer's gross income as determined under the Code,  
22 adjusted as provided in G.S. 105-134.6 and G.S. 105-134.7, and the numerator of which  
23 is the amount of that gross income, as adjusted, that is derived from North Carolina  
24 sources and is attributable to the ownership of any interest in real or tangible personal  
25 property in this ~~State or State~~, is derived from a business, trade, profession, or  
26 occupation carried on in this ~~State~~. State, or is derived from gambling activities carried  
27 on in this State."

28 **SECTION 4.** G.S. 105-163.1(13) reads as rewritten:

29 "(13) Wages. – The term has the same meaning as in section 3401 of the  
30 Code except it does not include either of the following:

- 31 a. The amount of severance wages paid to an employee during the  
32 taxable year that is exempt from State income tax for that  
33 taxable year under G.S. 105-134.6(b)(11).  
34 b. The amount an employer pays an employee as reimbursement  
35 for ordinary and necessary expenses incurred by the employee  
36 on behalf of the employer and in the furtherance of the business  
37 of the employer.

38 Wages also includes the amount of proceeds from gambling activities  
39 as defined in section 3402 of the Code."

40 **SECTION 5.(a)** G.S. 14-289 reads as rewritten:

41 **"§ 14-289. Advertising lotteries.**

42 Except as provided in Chapter 143D of the General Statutes or in connection with a  
43 lawful raffle as provided in Part 2 of this Article, if anyone by writing or printing or by  
44 circular or letter or in any other way, ~~advertise or publish~~ advertises or publishes an

1 account of a lottery, whether within or without this State, stating how, when or where  
2 the same is to be or has been drawn, or what are the prizes therein or any of them, or the  
3 price of a ticket or any share or interest therein, or where or how it may be obtained, he  
4 shall be guilty of a Class 2 misdemeanor."

5 **SECTION 5.(b)** G.S. 14-290 reads as rewritten:

6 **"§ 14-290. Dealing in lotteries.**

7 Except as provided in Chapter 143D of the General Statutes or in connection with a  
8 lawful raffle as provided in Part 2 of this Article, if any person shall open, set on foot,  
9 carry on, promote, make or draw, publicly or privately, a lottery, by whatever name,  
10 style or title the same may be denominated or known; or if any person shall, by such  
11 way and means, expose or set to sale any house, real estate, goods, chattels, cash,  
12 written evidence of debt, certificates of claims or any other thing of value whatsoever,  
13 every person so offending shall be guilty of a Class 2 misdemeanor which may include  
14 a fine not to exceed two thousand dollars (\$2,000). Any person who engages in  
15 disposing of any species of property whatsoever, including money and evidences of  
16 debt, or in any manner distributes gifts or prizes upon tickets, bottle crowns, bottle caps,  
17 seals on containers, other devices or certificates sold for that purpose, shall be held  
18 liable to prosecution under this section. Any person who shall have in his possession  
19 any tickets, certificates or orders used in the operation of any lottery shall be held liable  
20 under this section, and the mere possession of such tickets shall be prima facie evidence  
21 of the violation of this section."

22 **SECTION 5.(c)** G.S. 14-291 reads as rewritten:

23 **"§ 14-291. Selling lottery tickets and acting as agent for lotteries.**

24 Except as provided in Chapter 143D of the General Statutes or in connection with a  
25 lawful raffle as provided in Part 2 of this Article, if any person shall sell, barter or  
26 otherwise dispose of any lottery ticket or order for any number of shares in any lottery,  
27 or shall in anywise be concerned in such lottery, by acting as agent in the State for or on  
28 behalf of any such lottery, to be drawn or paid either out of or within the State, such  
29 person shall be guilty of a Class 2 misdemeanor.

30 **SECTION 5.(d)** G.S. 14-291.1 reads as rewritten:

31 **"§ 14-291.1. Selling "numbers" tickets; possession prima facie evidence of  
32 violation.**

33 Except as provided in Chapter 143D of the General Statutes or in connection with a  
34 lawful raffle as provided in Part 2 of this Article, if any person shall sell, barter or cause  
35 to be sold or bartered, any ticket, token, certificate or order for any number or shares in  
36 any lottery, commonly known as the numbers or butter and egg lottery, or lotteries of  
37 similar character, to be drawn or paid within or without the State, such person shall be  
38 guilty of a Class 2 misdemeanor. Any person who shall have in his possession any  
39 tickets, tokens, certificates or orders used in the operation of any such lottery shall be  
40 guilty under this section, and the possession of such tickets shall be prima facie  
41 evidence of the violation of this section."

42 **SECTION 5.(e)** G.S. 14-292 reads as rewritten:

43 **"§ 14-292. Gambling.**

1 Except as provided in Chapter 143D of the General Statutes or in Part 2 of this  
2 Article, any person or organization that operates any game of chance or any person who  
3 plays at or bets on any game of chance at which any money, property or other thing of  
4 value is bet, whether the same be in stake or not, shall be guilty of a Class 2  
5 misdemeanor."

6 **SECTION 5.(f)** G.S. 14-293 reads as rewritten:

7 "**§ 14-293. Allowing gambling in houses of public entertainment; penalty.**

8 ~~If~~ Except as provided in Chapter 143D of the General Statutes, if any keeper of an  
9 ordinary or other house of entertainment, or of a house wherein alcoholic beverages are  
10 retailed, shall knowingly suffer any game, at which money or property, or anything of  
11 value, is bet, whether the same be in stake or not, to be played in any such house, or in  
12 any part of the premises occupied therewith; or shall furnish persons so playing or  
13 betting either on said premises or elsewhere with drink or other thing for their comfort  
14 or subsistence during the time of play, he shall be guilty of a Class 2 misdemeanor.  
15 Any person who shall be convicted under this section shall, upon such conviction,  
16 forfeit his license to do any of the businesses mentioned in this section, and shall be  
17 forever debarred from doing any of such businesses in this State. The court shall  
18 embody in its judgment that such person has forfeited his license, and no board of  
19 county commissioners, board of town commissioners or board of aldermen shall  
20 thereafter have power or authority to grant to such convicted person or his agent a  
21 license to do any of the businesses mentioned herein."

22 **SECTION 5.(g)** G.S. 14-299 reads as rewritten:

23 "**§ 14-299. Property exhibited by gamblers to be seized; disposition of same.**

24 ~~All~~ Except as provided in Chapter 143D of the General Statutes, all moneys or other  
25 property or thing of value exhibited for the purpose of alluring persons to bet on any  
26 game, or used in the conduct of any such game, including any motor vehicle used in the  
27 conduct of a lottery within the purview of G.S. 14-291.1, shall be liable to be seized by  
28 any court of competent jurisdiction or by any person acting under its warrant. Moneys  
29 so seized shall be turned over to and paid to the treasurer of the county wherein they are  
30 seized, and placed in the general fund of the county. Any property seized which is used  
31 for and is suitable only for gambling shall be destroyed, and all other property so seized  
32 shall be sold in the manner provided for the sale of personal property by execution, and  
33 the proceeds derived from said sale shall (after deducting the expenses of keeping the  
34 property and the costs of the sale and after paying, according to their priorities all  
35 known prior, bona fide liens which were created without the lienor having knowledge or  
36 notice that the motor vehicle or other property was being used or to be used in  
37 connection with the conduct of such game or lottery) be turned over and paid to the  
38 treasurer of the county wherein the property was seized, to be placed by said treasurer in  
39 the general fund of the county."

40 **SECTION 6.** Chapter 14 of the General Statutes is amended by adding the  
41 following new section to read:

42 "**§ 14-309.2. Part does not apply to State lottery.**

43 The provisions of this Part shall not apply to the State lottery established in Chapter  
44 143D of the General Statutes."

1           **SECTION 7.** G.S. 120-123 is amended by adding a new subdivision at the  
2 end to read:

3           "(63) The North Carolina State Lottery Commission, as established by  
4           Chapter 143D of the General Statutes."

5           **SECTION 8.** G.S. 150B-2(8a) is amended by adding a new sub-subdivision  
6 to read:

7           "k. Procedures, instructions, game-play rules, and validation  
8           procedures and tests for a specific lottery game."

9           **SECTION 9.** Nothing in this act shall be construed to obligate the General  
10 Assembly to make additional appropriations to implement the provisions of this act.

11           **SECTION 10.** The North Carolina State Lottery Commission shall  
12 determine an estimate of the initial working capital and submit that estimate to the  
13 Office of State Budget, Planning, and Management for approval. After approval is  
14 granted by the Office of State Budget, Planning, and Management, and with the written  
15 approval of the State Treasurer, the State Controller shall advance the approved funds  
16 by internal borrowing from other available State funds. The terms and conditions of the  
17 temporary loan or loans shall be determined by the Office of State Budget, Planning,  
18 and Management.

19           **SECTION 11.** The question of whether North Carolina should have a State  
20 lottery shall be submitted to the qualified voters of the State at a referendum on the  
21 question held at a statewide election on a date set by the General Assembly. The  
22 referendum shall be held in accordance with Chapter 163 of the General Statutes. The  
23 form of the ballot for the referendum is:

24           " FOR a State lottery.  
25            AGAINST a State lottery."

26           **SECTION 12.** If a State lottery is approved by the qualified voters of this  
27 State in the referendum held under Section 11 of this act, the costs to the State Board of  
28 Elections and the county boards of elections for conducting the referendum are  
29 considered expenses of the lottery; the State Lottery Commission shall reimburse the  
30 State Board of Elections and the county boards of elections for these costs from the  
31 Lottery Fund.

32           If a State lottery is not approved by the qualified voters of this State in the  
33 referendum held under Section 11 of this act, the State Board of Elections and the  
34 county boards of elections may seek reimbursement from the General Assembly for  
35 their costs incurred in conducting the referendum.

36           **SECTION 13.** Sections 11, 12, and 13 of this act are effective when they  
37 become law. If a State lottery is approved by the qualified voters of this State in the  
38 referendum held under Section 11 of this act, then Sections 1 through 10 of this act  
39 become effective when the results of the referendum are certified by the State Board of  
40 Elections. If a State lottery is not approved, Sections 1 through 10 do not become  
41 effective.